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IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

FACTORS ETC., INC.,

Petitioner,

v.

MEMPHIS DEVELOPMENT FOUNDATION,

Respondent.

REPLY BRIEF OF PETITIONER

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Factors Etc., Inc.,

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REPLY BRIEF OF PETITIONER

Introduction

Pursuant to Rule 22.5 of the Rules of this Court, petitioner Factors Etc., Inc. ("Factors"), files this brief in reply to the Brief of Respondent Memphis Development Foundation ("the Foundation") in Opposition to Petition for Certiorari, filed with this Court on September 29, 1980.

ARGUMENT

I.

The Sixth Circuit's Ruling Was Not Cast, and Cannot Be Defended, as an "Interpretation" of Tennessee Law; On the Contrary, *Erie* Principles Independently Warrant Reversal of the Judgment Below.

The Foundation's characterization of the judgment below as "[an] attempt to predict the ruling which a [Tennessee] court faced with the question would make," Opposition at

4, is unavailing for three reasons. First, the Sixth Circuit declared itself utterly *unable* "to assess [the] predisposition" of Tennessee courts on the instant issue. App. 4a. But the court below did *not* then turn to "the prevailing rule of law" for guidance, as the Foundation asserts, Opposition at 5, or stay its hand pending consideration of the issue by the state's courts. *Cf. Railroad Commission* v. *Pullman Co.*, 312 U.S. 496 (1941). Instead, the circuit court frankly chose to decide whether, purely as policy, "the right of publicity *should* . . . be given the status of a devisable right." App. 4a (emphasis added). So deciding the instant issue, the Sixth Circuit can hardly be said to have "refuse[d] to indulge in . . . lawmaking . . . [in] recognition of the proper and time-honored separation of the judicial and legislative function," Opposition at 11, as the Foundation contends. Its judgment was a naked "attempt[ ] to legislate a . . . property right," *id.* at 10 out of existence.

Second, even if the court below *had* undertaken to "adopt the prevailing rule of law," *id.* at 5, its decision would be utterly unsupportable—a bald repudiation of *Erie Railroad Co.* v. *Tompkins*, 304 U.S. 64 (1938). For as the district court expressly recognized, App. 22a, 31a-32a, and as a different panel of the Sixth Circuit tacitly acknowledged in affirming the district court's grant of preliminary injunctive relief for Factors, App. 27a-28a, the state's courts *had* in fact resolved closely analogous controversies, rendering decisions all of which pointed directly toward a result diametrically opposed to the judgment rendered by the federal tribunal below.[1]

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[1] *See* Petition at 18 n.12. The Foundation attempts to defend the Sixth Circuit's inexplicable disregard of *Robinson* v. *Robinson's, Inc.*, 9 Tenn.App. 103 (Ct.App. 1929), on the remarkable ground that *Robinson*, decided 50 years ago, was not verbalized in terms of the descendibility of the right of publicity. *See* Opposi-

Third, it is flatly and demonstrably false that a "majority"—or, so far as appears, *any*—"of the cases which have dealt with this subject [in other jurisdictions] have held that the right to the exclusive use of one's name and likeness is not descendible." Opposition at 5. Examination of each of the seven cases said by the Foundation to typify "the prevailing rule of law," *id.*, reveals that this so-called "prevailing rule" is no rule at all.[2] At best, there-

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tion at 6-7. But nothing in the instant case renders inapplicable *Robinson*'s central teaching that the value arising from the use of one's name in the course of a distinct commercial enterprise constitutes a property interest in Tennessee that does not terminate upon one's death.

It is true that the deceased in *Robinson* did not establish his commercial enterprise *in order* to exploit the value of his name, and that his name acquired its value from its connection to the sale of commodities other than his creative or artistic talents. But nothing in *Robinson* suggested that such circumstances were crucial; thus their absence in the instant case was certainly no warrant for federal judicial termination, upon Presley's death, of his assignee's right under Tennessee law to prevent direct competitors from exploiting the commercial value of his name and image. *See* Petition at 3, 23a.

In disregarding not only *Robinson* but also such other guiding Tennessee precedents as *The Stratton Claimants* v. *The Morris Claimants*, 89 Tenn. 497, 514, 15 S.W. 87, 90 (1891), and *Bradford & Carson* v. *Montgomery Furniture Co.*, 115 Tenn. 610, 618, 92 S.W. 1104, 1106 (1915) (both cited by Factors, Petition at 18 n.12, but ignored by the Foundation), it was the court below—and surely not Factors, as the Foundation alleges, Opposition at 4—that "circumvent[ed] the doctrine of *Erie*." *Id.*

[2] In none of these seven cases was the existence of a descendible right of publicity at issue in circumstances even remotely analogous to those of the instant case. In fact, the courts in all of those cases declined, for a variety of reasons, even to *decide* whether applicable state law recognized the descendibility of such a property right where, as here, such a right had been exercised and assigned by the deceased during his life.

Thus in one "prevailing rule" case, plaintiffs had failed to allege sufficient facts to establish that *they* were the owners of the property interest they claimed in an ancestor's name. *Schumann* v. *Loew's*, 135 N.Y.S.2d 361, 369 (Sup. Ct. 1954). In another, plaintiffs had failed even to *allege* infringement of any property right

fore, the decision below represents a federal rule indefensibly fashioned in disregard of applicable state law, a usur-

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they may have held in the deceased's name, likeness, or personality. *Maritote* v. *Desilu Productions, Inc.*, 345 F.2d 418, 419-20 (7th Cir. 1965). In still another, the property right claimed was merely the "interest of monetary value" the widow of Jesse James, Jr., claimed accrued to her from the simple fact that she carried his name. *James* v. *Screen Gems, Inc.*, 174 Cal.App.2d 650, 652, 344 P.2d 799, 800 (Ct.App. 1959).

Two other cases cited by the Foundation involved questions of federal tax law. In *Miller* v. *Commissioner*, 209 F.2d 706, 710 (2d Cir. 1962), the Second Circuit held that certain payments by a movie studio to the widow of Glenn Miller were properly treated as ordinary income rather than capital gain, concluding that the studio had not paid to purchase from her any devisable property right she might have had in her late husband's name and image, but to secure her promise not to sue the studio for infringement of such a right—the existence of which the court did *not* deny. And in *Runyon* v. *United States*, 281 F.2d 590, 592 (5th Cir. 1960), the Fifth Circuit held that the transfer by a deceased author's son to a movie studio of certain supposed rights in his late father's name and life story was too restricted and contingent to constitute a "sale" for federal tax purposes; the court *declined* to decide whether the son had ever actually owned what he purported to transfer or whether what he purported to transfer was in fact property.

The two other cases presented as examples of "the prevailing rule" involved the claim that a celebrity's sheer *opportunity* to exploit his name and likeness for commercial purposes, unexercised during his life, is a property interest that descends to his heirs upon his death. *Lugosi* v. *Universal Pictures*, 25 Cal.3d 813, 822, 160 Cal.Rptr. 323, 328, 603 P.2d 425, 430 (1979); *Guglielmi* v. *Spelling-Goldberg Productions*, 140 Cal.Rptr. 775, 779 (Ct. App. 1977). As the four-justice majority in *Lugosi* observed, "[a]ssertion by the heirs of the right to exploit their predecessor's name and likeness [in] commercial situations he left unexploited simply is *not* the exercise of that right by *the person* entitled to it." 25 Cal.3d at 823, 160 Cal.Rptr. at 329, 603 P.2d at 431 (emphasis in original) (footnote omitted). (Only in dictum did the *Lugosi* majority suggest, *see* Opposition at 7, that California law would not recognize the existence of a descendible right of publicity beyond those instances in which a person had joined his name or a particular likeness to a specific business venture or property as a tradename or trademark.)

As Factors has shown, however, Petition at 16-17, there is no dispute that Elvis Presley during his life *exercised* his exclusive right of publicity through detailed and comprehensive licensing

pation of law-making power reserved by *Erie* and the Tenth Amendment to the legal systems of the several states, and a repudiation of our federal structure's commitment to "a healthy pluralism." *Richmond Newspapers, Inc.* v. *Virginia,* 100 S.Ct. 2814, 2843 (1980) (Rehnquist, J., dissenting).

II.

If the Tennessee Supreme Court Would Indeed Have Decided the Instant Case as the Federal Circuit Court Did, the State Tribunal's Decision Would Have Been So Radically Unpredictable as to Violate Fourteenth Amendment Due Process.

Assuming that Tennessee law actually did conceal a rule licensing the public to plunder a performer's contractually assigned and commercially valuable right of publicity upon his demise—a rule laying in wait to cancel, suddenly and without warning, entirely justified reliance-inducing expectations in commercial affairs—then applying such a rule would have constituted a deprivation of property without due process of law. *Cf. Bouie* v. *City of Columbia,* 378 U.S. 347, 353-54 (1964); *Lynch* v. *United States,* 292 U.S. 571

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arrangements; that such an exclusive right of publicity was recognized and deemed validly assignable during Presley's life under governing Tennessee law; and that this right was in fact validily assigned, three years before Presley's death, to the corporation from which Factors purchased it after he died. *See id.* at 3. Except for the *Lugosi* dictum, literally every case cited by the Foundation as having "rejected the idea that there exists a common law 'right of publicity' . . . which is descendible" when exercised by the deceased during his life, Opposition at 9, in fact reserves that question—even when denying the existence of a descendible right of *privacy*. *See Schumann, supra,* 135 N.Y.S.2d at 365-68 (applying New York law); *Maritote, supra,* 345 F.2d at 418-19 (applying Illinois law). Thus these cases also accept—not reject, as the Foundation asserts—"the idea that there exists a common law 'right of publicity' which is separate and apart from a right of privacy." Opposition at 9.

(1934). *See also Hughes* v. *Washington*, 389 U.S. 290, 298 (1967) (Stewart, J., concurring in judgment) (due process forbids uncompensated taking, whether unintended or deliberate, effected by unforeseeable change in state property law as expounded by a state's highest court). Due regard for the integrity of the Tennessee judiciary should certainly have restrained the Sixth Circuit from attributing to the state's courts a willingness unconstitutionally to impose such a rule. *Cf. Pullman, supra.* In any event, the Supremacy Clause itself required the court below, called upon to apply state law in a diversity case, to disregard any supposed state rule whose application would violate the Fourteenth Amendment.

III.

The Underlying Conflict Between the Sixth and Second Circuits Cannot Be Evaded by Minimizing the Significance of the First Amendment Issues Presented by the Opinion Below.

The Foundation could not and does not deny that it would be intolerable "for the existence of a First Amendment privilege to pirate a dead performer's name and face to vary from circuit to circuit," Petition at 15, or that the Second Circuit has in fact expressly rejected the existence of such a privilege on facts indistinguishable from those in this case. *See id.* at 13-15.[3] Conceding that the court

[3] The Foundation's assertion that "the decision of the Sixth Circuit does not conflict with that of the Second Circuit because it interprets Tennessee not New York law," Opposition at 7, addresses a non-issue. It is not the Second and Sixth Circuits' interpretations of *state law* that are said to conflict, but rather their views "on what the First Amendment itself signifies for the right of publicity," Petition at 15—two irreconcilable and clashing conceptions of "the reach and meaning of the First Amendment, particularly as applied to national commerce in the

below did state that First Amendment considerations militated against judicial protection of a descendible right of publicity, Opposition at 10-11, the Foundation minimizes this obvious conflict between the Sixth and Second Circuits by arguing that the court below regarded " 'the right of free expression guaranteed by the first amendment,' " *id.* at 10, quoting App. 5a, as but one of several "apt illustrations," *id.* at 11, weighing against court protection of "the inheritability of the right asserted by [Factors]." *Id.* at 10.

If the Foundation thus suggests that the Sixth Circuit, in invoking the First Amendment, was obliquely *explaining* its inattention to applicable Tennessee law, *see* n.1 *supra,* then the Foundation simply demonstrates anew why the judgment below violates *Erie*—as well as *Zacchini* v. *Scripps-Howard Broadcasting Co.,* 433 U.S. 562 (1977). *See* Petition at 9-11. If, instead, the Foundation thus suggests that the Sixth Circuit, in presenting its First Amendment analysis, was *predicting* how Tennessee state courts would expound state property law based on their own view of how "federal constitutional consideration [should lead them] to construe and apply [Tennessee] law," *Zacchini, supra,* 433 U.S. at 568, then it follows that the Tennessee courts, by acting as so predicted, would *themselves* be misapplying the First and Fourteenth Amendments. *Zacchini, supra.* And it bears repeating that *Erie* directs federal judges to follow state law *only insofar as consistent with the United States Constitution*—not to mimic anticipated state-court results that would conflict with the supreme law of the land.

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fruits of national fame." *Id.* Ignoring the point, the Foundation expostulates irrelevantly—and erroneously—about New York's "peculiar" rights of privacy and publicity, Opposition at 7, 10, and about supposed scheming by judges of the Southern District of New York and the Second Circuit "to legislate a new kind of property right." *Id.* at 10.

CONCLUSION

The *Erie* doctrine must not be perverted into a *new* "brooding omnipresence"—one under which a melange of policy concerns may be invoked by federal courts to defeat claims squarely grounded in state law. That such claims may contain elements of the intangible and the novel cannot be taken to permit federal courts sitting in diversity cases to fashion their own preferred approaches to resolving the issues before them. Particularly where such federal power is deployed in derogation of substantial property expectations, and in loose alliance with supposed First Amendment considerations that both this Court and the Second Circuit have held inapposite, the time has come to reestablish the proper boundaries of federal judicial authority in cases such as this. Thus the instant petition should be granted and the judgment below should be reversed.

Respectfully submitted,

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